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Proposed Counsel for Debtor

UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

In re)	Case No. 16-31325
)	Chapter 11
WRAP MEDIA, LLC)	
)	
Debtor.)	

In re)	Case No. 16-31326
)	Chapter 11
WRAP MEDIA, INC.)	
)	
Debtor.)	

<input type="checkbox"/>	Affects LLC)
<input type="checkbox"/>	Affects Inc.)
<input checked="" type="checkbox"/>	Affects BOTH DEBTORS)

DECLARATION OF ERIC GREENBERG IN SUPPORT OF
FIRST DAY MOTIONS

I, Eric Greenberg, declare under penalty of perjury:

1. I am the founder of Wrap Media, LLC and Wrap Media, Inc. Since they operate a single enterprise, I refer to them collectively herein as the "Debtor". I make this Declaration of my own personal knowledge, and if called as a witness I could and would competently testify as follows:

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Summary

2. I founded the Debtor in December of 2013. Since then, it has received investments aggregating \$28,200,000, of which my investment was a material part. Based on those investments, Wrap Media, has developed technology which is proven and potent, has obtained customers including Fortune 100 customers, and is generating revenue. It would represent an extraordinarily appealing investment as an early stage "start-up".

3. On the other hand, the Debtor is not an early stage start-up, rather the company is considered "growth stage" in its age and funding history. It has approximately \$2 million in bank debt and has gone through multiple rounds of equity and debt financing, generally resulting in liquidation preferences, anti-dilution protections, acquisition multipliers and "most favored nations" provisions in convertible debt instruments. As a consequence, the Debtor is virtually impossible to finance in its current condition.

4. A Chapter 11 affords three alternatives to maximize the value of the Debtor, in declining order of desirability:

a. First and foremost, the Debtor expects to solicit a recapitalization through which one or more investors fund what is effectively a "Series A" round of financing, resulting in existing debt and, potentially, equity receiving either some payment or equity in the recapitalized venture.

b. Second, the Debtor has received expressions of interest from significant technology companies respecting a potential merger or acquisition. Chapter 11 provides the Debtor an opportunity to effect a going-concern sale of its business, so as to maximize the recovery to creditors and equity holders, without subjecting it to the blocking rights and onerous shareholder approval requirements held by certain different existing equity classes and unsecured debt holders.

c. Finally, although the Debtor believes that one of the two foregoing options will prove available within the next 120 days, should it appear that a recapitalization or sale is not likely to occur within an appropriate time frame, the Debtor believes that Chapter 11 provides

1 the best opportunity to effect an orderly liquidation of its assets and to realize value from its
2 significant patent portfolio and commercial software platform, code and system designs.

3 *The Debtor's Business*

4 5. The Debtor was formed in December 2013, and I was its founder.

5 6. The Debtor's technology is a mobile messaging and engagement platform that improves
6 the mechanism and results of business to business and business to consumer sales, marketing and
7 customer service – a software category known as customer relationship management - CRM.

8 7. Some key features which make the Debtor's technology very appealing are: The platform
9 is web-based and template driven requiring no programming to build user experiences that can be
10 delivered through several messaging types including email, SMS texting, messaging services like
11 Facebook Messenger or Slack, or social media like Facebook or Twitter. Wrap uses intelligence and
12 automation to deliver personalized messaging and customer engagement through a beautiful “native
13 app-like” experience in the web browser – without being programmed as a native iOS or Android app or
14 having to download a native smartphone app or operate within a native smartphone app. This saves
15 significant time and money with building and delivering mobile user experiences to sell, market, service
16 and support customers. Additionally, Wrap customers own their data and are not subject to the
17 restrictions of the “walled gardens” of the social networks and messaging services and the uncertainty
18 that the rules can change within these environments.

19 8. The Debtor has carefully protected its intellectual property rights. The Debtor holds 12
20 issued United States patents, another 5 that have been formally allowed by the United States Patent and
21 Trademark Office (“USPTO”), and is prosecuting an additional 50 or so patent applications in the
22 USPTO.

23 9. The Debtor's technology and employees has provided it with more than 30 customers,
24 including marquee customers such as T-Mobile, Sprint, Cisco, NTT, Rogers, Salesforce and others, and
25 a current annualized revenue stream of approximately \$1 million.
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1 *Capital Structure*

2 10. Wrap Media, LLC is an operating company providing software as a service. Wrap
3 Media, LLC holds all of the assets of the enterprise, employs all of its personnel and conducts all of its
4 operations.

5 11. Wrap Media, Inc.'s sole asset is an approximately 60% equity interest in Wrap Media,
6 LLC. Wrap Media, Inc. was the financing vehicle for the enterprise, raising several rounds of equity
7 and obtaining \$9.5 million of convertible debt financing. Specifically,

8 a. It obtained a "seed money" investment of about \$2.5 million from my company,
9 Innovation Investments;

10 b. It obtained a Series A investment in December of 2014 of \$3.5 million, based on a
11 valuation of \$16.5 million pre, from Founders Fund Angel, Raine Ventures, Innovation
12 Investments and Transmedia Ventures;

13 c. It obtained a Series B investment in July of 2015 of \$12.7 million, based on a
14 valuation of \$60 million pre, from Raine Ventures, ProSieben, Dream Incubator (Japan),
15 Salesforce and Transmedia Ventures; and

16 d. It obtained debt financing, convertible into the next round of equity, of \$4 million
17 from Dream Incubator in December of 2015; \$2.5 million from Salesforce in February of 2016
18 and \$3 million from my company, Innovation Investments, in August of 2016.

19 12. Wrap Media, Inc. has four creditors consisting of three convertible note holders owed an
20 aggregate of approximately \$10 million and joint liability on secured debt held by Silicon Valley Bank.
21 Wrap Media, Inc. conducts no operations.

22 *Silicon Valley Bank*

23 13. Silicon Valley Bank ("SVB") holds a security interest in substantially all of the Debtor's
24 assets *other than* its intellectual property ("SVB's Collateral").

25 14. SVB's Collateral consists of cash in the approximate amount of \$300,000 held in various
26 bank accounts (exclusive of restricted funds subject to a senior pledge to other creditors), accounts
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1 receivable, furniture and equipment, and other miscellaneous assets. The Debtor has not undertaken a
2 valuation of SVB's collateral.

3 15. As of the commencement of the case, SVB's debt was not in monetary default and SVB
4 had not formally asserted any non-monetary default.

5 *Debtor-in-Possession Financing*

6 16. In order to extend the period during which the Debtor can maintain business operations
7 and sustain a going concern so as to maximize the recovery from a recapitalization or a sale, the Debtor
8 is in the process of raising Debtor-in-Possession financing ("DIP Financing").

9 17. The DIP Financing is to be secured by a first priority lien on the Debtor's intellectual
10 property, subject to a limited subordination to SVB. The DIP Financing bears interest at the rate of 6%
11 and requires repayment in approximately 4 months or upon the occurrence of certain events of default.

12 18. The DIP Financing is expected to be provided by multiple lenders in multiple tranches.
13 An initial tranche of up to \$350,000 must be provided by year-end, and I have agreed to provide that
14 initial tranche. The Debtor will require additional funding from the DIP Financing in order to operate in
15 January and thereafter.

16 *Cash Collateral*

17 19. The Debtor requires access to cash and the proceeds of its accounts receivable in order to
18 operate. A weekly cash receipts and disbursement budget through the end of January, 2017 is attached
19 hereto.

20 20. SVB holds the only lien on the Debtor's assets, but that lien encumbers cash and accounts
21 receivable, and so affords SVB cash collateral rights. As adequate protection and in order to afford SVB
22 assurance that its collateral position will not diminish during the course of the bankruptcy case, the
23 Debtor proposes to provide SVB with the following:

24 a. A replacement lien against post-petition assets with the same nature, extent and
25 validity as SVB's pre-petition lien;

26 b. A lien on the Debtor's intellectual property, junior only to the DIP Financing lien;
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1 c. A subordination of the lien securing the DIP Financing, but only to the extent
2 necessary to protect SVB from any post-petition diminution in the SVB Collateral for its allowed
3 secured claim; and

4 d. Payments of approximately \$9,000 per month, equivalent to non-default interest
5 on its debt.

6 21. I believe that the intellectual property in which SVB currently has no lien or interest has
7 very substantial value – potentially many millions of dollars, but in any event not less than \$1 million –
8 and consequently the foregoing relief affords SVB adequate protection for the use of its cash collateral.

9 22. Moreover, in the absence of an ability to use cash collateral the Debtor's business must
10 immediately cease operations. That would result in a dramatic reduction in the value of the Debtor's
11 assets, since it would become impossible to realize anything from the Debtor's going concern value, and
12 it would be necessary to sell the intellectual property without access to the engineers most
13 knowledgeable about it.

14 *Employees*

15 23. The retention of key employees will be critical to a successful exit through a
16 recapitalization or through a going concern sale.

17 24. Over the course of the past four months, the Debtor has implemented reduction in force
18 lay-offs bringing its headcount from over 60 to 25. The core personnel that remain are absolutely
19 essential to the Debtor's continuing operations, so it is critical that they be encouraged to remain and that
20 their reasonable expectations of ongoing compensation and benefits are not disappointed.

21 25. The Debtor intends promptly to bring a motion to approve an employee retention plan.
22 For the purposes of that motion the affected employees will not be managers (other than arguably the
23 Chief Technical Officer) but rather they will be the engineers and salespersons who are at the core of the
24 business's successful operation.

25 26. In the immediate term, however, it is essential that the Court authorize the Debtor to
26 continue to perform its obligations to its employees. The Debtor's employees generally live very close
27 to their paychecks, and all would find any disruption or delay in payment or in their benefits an extreme
28 hardship.

1 27. The Debtor funds payroll on the first and fifteenth day of each month, so the next payroll
2 is due on Thursday, December 15th. The Debtor funded a partial payroll pre-petition covering the period
3 December 1, 2016 through December 10, 2016, so it must fund only a 1/3rd payroll this Thursday. On
4 the other hand, it is essential that the Debtor timely fund that payroll in order to preserve employee
5 confidence.

6 28. It is also essential that the Debtor be authorized to continuously provide benefits such as
7 health care and to honor obligations respecting paid time off, sick leave and similar benefits.

8 *Joint Administration / Rule 2015.3*

9 29. Wrap Media, Inc. holds approximately 60% of the equity in Wrap Media, LLC as its sole
10 asset and has only 4 creditors. Wrap Media, Inc. has no operations, and thus will be reflecting no
11 activity in its Monthly Operating Reports.

12 30. All operations are conducted by Wrap Media, LLC, which also owns all of the assets of
13 the enterprise. All of the enterprise's debt, apart from the three convertible notes, constitutes obligations
14 of Wrap Media, LLC.

15 31. The Debtors operated under a single mirrored management structure, in which the same
16 persons were appointed to the Board of Managers of Wrap Media, LLC and the Board of Directors of
17 Wrap Media, Inc., the meetings of both Boards were conducted jointly with all decisions applying to
18 both entities, and the same individuals occupied the same offices with each entity.

19 32. It makes sense to designate Wrap Media, LLC as the lead case in administratively
20 consolidated proceedings. All of Wrap Media, Inc.'s creditors have been added as additional notice
21 parties to Wrap Media, LLC's mailing matrix.

22 33. The Debtor operated an affiliate in Lithuania named UAB Wrap Media Lithuania. The
23 Debtor laid off all of the employees of the Lithuanian affiliate materially pre-petition, and so the
24 Lithuanian affiliate has no ongoing operations.

25 34. The Lithuanian affiliate is currently involved in the process of dissolving under
26 Lithuanian law, a process which is anticipated to require up to 6 months to complete. The dissolution
27 activity is being performed largely or completely by Lithuanian lawyers, all of whom were prepaid for
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1 their efforts. If even possible, providing quarterly reports on the dissolution of the Lithuanian subsidiary
2 pursuant to Rule 2015.3 would be burdensome, but would provide no useful information.

3 I declare under penalty of perjury according to the laws of the United States of America that the
4 foregoing is true and correct and that this Declaration was executed in Larkspur, California on
5 December 11, 2016.

6
7 /s/ Eric Greenberg.
Eric Greenberg

Wrap Media
Short Term Cash Plan
(As of 12/10/16)

	<u>12/15/2016</u>	<u>12/31/2016</u>	<u>Total Dec 2016</u>	<u>1/15/2016</u>	<u>1/31/2017</u>	<u>Total Jan 2017</u>
Beginning Unrestricted Cash (12/10/16)	291,248	179,570	291,248	142,559	18,289	142,559
DiP Loan Proceeds	0	200,000	200,000	150,000	0	150,000
AR Cash Receipts	0	30,000	30,000	40,000	40,000	80,000
Payroll & Related Taxes	(91,678)	(183,710)	(275,389)	(163,710)	(203,710)	(367,421)
Employee Health Benefits	0	0	0	(30,000)	0	(30,000)
Engineering Expenses	0	(14,000)	(14,000)	(12,500)	(38,500)	(51,000)
Sales & Marketing Expenses	(10,000)	(20,000)	(30,000)	(45,000)	(20,000)	(65,000)
Admin & Office Expenses	(10,000)	(37,300)	(47,300)	(54,060)	(21,300)	(75,360)
Legal Fees	0	(12,000)	(12,000)	0	(12,000)	(12,000)
Interest Payments			0	(9,000)	(1,000)	(10,000)
Ending Unrestricted Cash	179,570	142,559	142,559	18,289	(238,222)	(238,222)
Cash In	0	230,000	230,000	190,000	40,000	230,000
Cash Out	(111,678)	(267,010)	(378,689)	(314,270)	(296,510)	(610,781)
Net Change in Unrestricted Cash	(111,678)	(37,010)	(148,689)	(124,270)	(256,510)	(380,781)
Total Non-Payroll OPEX Costs	(20,000)	(83,300)	(103,300)	(111,560)	(91,800)	(203,360)

Wrap Media, LLC - Operating Plan

<u>Ending Cash Projection</u>	<u>Cash Receipts</u>	<u>DiP Loan</u>	<u>SVB & DiP Loan Interest</u>	<u>Actual Pymts</u>	<u>Non Payroll Expected Costs</u>	<u>Health Benefits</u>	<u>Payroll, Taxes & Commissions</u>	<u>Gross Burn</u>	<u>Ending Unrestricted Cash</u>
12/15/2016					(20,000)		(91,678)	(111,678)	179,570
12/31/2016	30,000	200,000			(83,300)		(183,710)	(37,010)	142,559
1/15/2016	40,000	150,000	(9,000)		(111,560)	(30,000)	(163,710)	(124,270)	18,289
1/31/2016	40,000		(1,000)		(91,800)		(203,710)	(256,510)	(238,222)
2/15/2016	50,000		(9,000)		(111,560)	(30,000)	(183,710)	(284,270)	(522,492)
2/28/2016	50,000		(1,750)		(91,800)		(203,710)	(247,260)	(769,753)
3/15/2016	50,000		(9,000)		(111,560)	(30,000)	(183,710)	(284,270)	(1,054,023)
3/31/2016	50,000		(1,750)		(91,800)		(203,710)	(247,260)	(1,301,283)
4/15/2016	50,000		(9,000)		(111,560)	(30,000)	(183,710)	(284,270)	(1,585,554)
4/30/2016	50,000		(1,750)		(91,800)		(203,710)	(247,260)	(1,832,814)

Wrap Media
Non-Headcount Related Costs

<u>Engineering Expenses</u>	Full Month	Dec 15 Pymt	Dec 31 Pymt	Jan 15th & On Pymts	Jan 31th & On Pymts	
Abstracta	9,000		9,000		9,000	R&D consultants
Design Consultants	15,000			7,500	7,500	Design Consultants
Eammune/Infosec	12,000				12,000	Security/enterprise-readiness consultants
EPC IT Solutions	5,000		5,000		5,000	IT consulting
Other Engineering	10,000			5,000	5,000	R&D consulting
Total Engineering Expenses	51,000	-	14,000	12,500	38,500	
<u>Sales & Marketing Expenses</u>						
MediaLink	25,000			25,000		Marketing, lead-gen
Travel & Related Expenses	30,000	5,000	10,000	15,000	15,000	Travel & Related Expenses
Sales Consultants	10,000	5,000	10,000	5,000	5,000	Sales Consultant
Total Sales & Marketing Expenses	65,000	10,000	20,000	45,000	20,000	
<u>Admin & Office Expenses</u>						
275 Sacramento Street, LLC	2,000		2,000		2,000	Electricity
Beautiful	6,000		3,000	3,000	3,000	Cafeteria
Canteen Refreshment Services	4,000		4,000		4,000	Cafeteria
Court Admin - US Trustee Fee	2,000				2,000	US Trustee Fee
Credit Card Charges (See Below)	40,760			40,760		Credit Card Chages
Office Admin Temp	5,000		3,000	2,500	2,500	Clerical and Admin Work
Kranz & Associates	10,000		5,000	5,000	5,000	Finance & Accounting Consultant
Misc	5,000	10,000	5,000	2,500	2,500	Misc Office Admin
Lender Admin Fees			15,000			Admin fees for Lender
The Fruit Guys	600		300	300	300	Cafeteria
Total Admin & Office Expenses	75,360	10,000	37,300	54,060	21,300	
<u>Legal Fees</u>						
Baker McKenzie	1,000					International Legal
Beyer Law Group LLP	5,000					IP Legal
Fenwick & West, LLP	5,000					General Legal
Harvey Siskind	2,000					IP Legal
Law Office of Erik Riegler	5,000					General Legal
Pachulski Stang Ziehl & Jones LLP	12,000		12,000		12,000	Trustee Legal
South Gate	2,000					International Legal
Total Legal Fees	32,000	-	12,000	-	12,000	
Total Non-Headcount Related Costs	223,360	20,000	83,300	111,560	91,800	

Credit Card Charges

	Budget (on CC)	Dec 15 Pymts	Dec 31 Pymts	Jan 15th & On Pymts	Jan 31th & On Pymts	Comments
8X8, INC.	500					Telecom
Adobe Systems	625					SW tool subscription
AT&T	500					Telecom
Atlassian	930					SW tool subscription
Amazon Web Services	22,000					Bandwidth/hosting
BambooHR	500					SW tool subscription
Bill.com, Inc	100					SW tool subscription
Bohemian Coding	99					SW tool subscription
Browser Stack	39					SW tool subscription
Chatlio	49					SW tool subscription
Cirrus	84					SW tool subscription
CloudCraft	49					SW tool subscription
CLOUDFLARE	20					SW tool subscription
Easy DNS	75					Bandwidth/hosting
Eden	1,360					Office/meal setup/take-down
Elev.io	79					SW tool subscription
Expensify	180					SW tool subscription
EZTexting	100					SW tool subscription
FEDEX	500					Postage
First Republic Bank	197					Bank Fees
GETTY IMAGES	399					SW tool subscription
GitHub	300					SW tool subscription
Google	500					SW tool subscription
Gum	198					SW tool subscription
Harvest	149					SW tool subscription
Intuit	40					SW tool subscription
iStock	170					SW tool subscription
Jfrog	98					SW tool subscription
LeapFin	500					SW tool subscription

Misc Charges	1,000
Motion.ai	50
New Relic	2,700
Office Supplies	500
PagerDuty	885
Optimizley	400
Pingdom	15
SHUTTERSTOCK, INC	199
Slack	400
SpeedCurve	45
Status Page	99
Sumome	100
Twilio	300
Typeform	70
Verizon	958
Zuora	2,700

Misc
SW tool subscription
SW tool subscription
Office Supplies
SW tool subscription
SW tool subscription
SW tool subscription
SW tool subscription
SW tool subscription
SW tool subscription
SW tool subscription
SW tool subscription
SW tool subscription
Telecom
SW tool subscription

Total Credit Card Charges	40,760			40,760	0
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